

Private Activity Bonds (PAB)



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Agenda

- Private Activity Bond (PAB)
Allocation Process
- Uses of PABs in today's market
 - Multi-family Housing
 - Single family Housing
 - Industrial development
 - and more!
- Issuing PABs

What are Private Activity Bonds?

- Tax-exempt bonds issued for **privately** developed projects.
- IRS allows a limited amount per state, also known as PAB “Cap” or Capacity.
- Municipalities (or Authorities) issue the bonds, but have no obligation to repay investors.
- Investors buy the bonds.
- Underwriters use the investors’ \$\$, or “bond proceeds,” to make a loan to the project.
- The project pays back the loan & investors get repaid with interest.

Initial PAB Allocation Process

\$90 per person in the state = the “Volume Capacity”
\$452,227,320 in 2010

50% of Allocation



Statewide Authorities

- CHFA
- College Invest*
- CO Agriculture Development Authority
- CO Health Facilities Authority
- CO Educational and Cultural Facilities

50% of Allocation



Local Governments

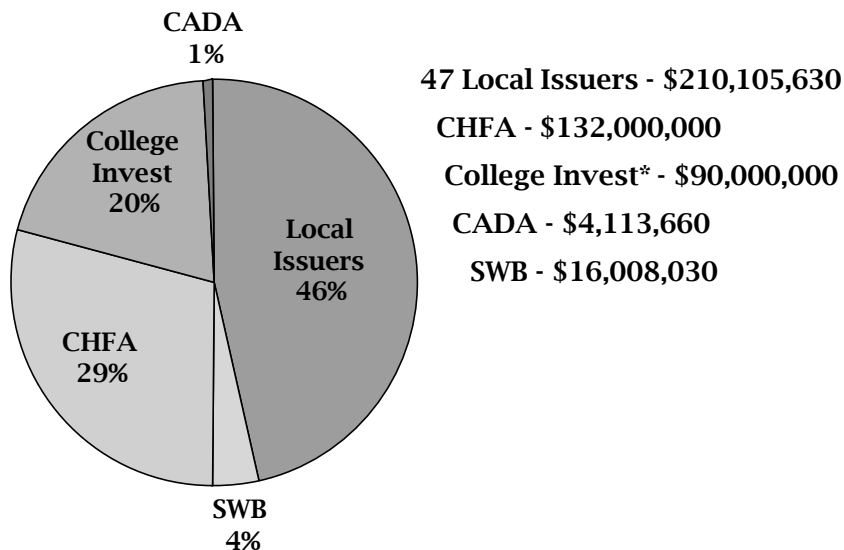
- 22,222 Persons or more
- \$45 per capita



Statewide Balance

Remaining cap admin. by
CO Dept. of Local Affairs

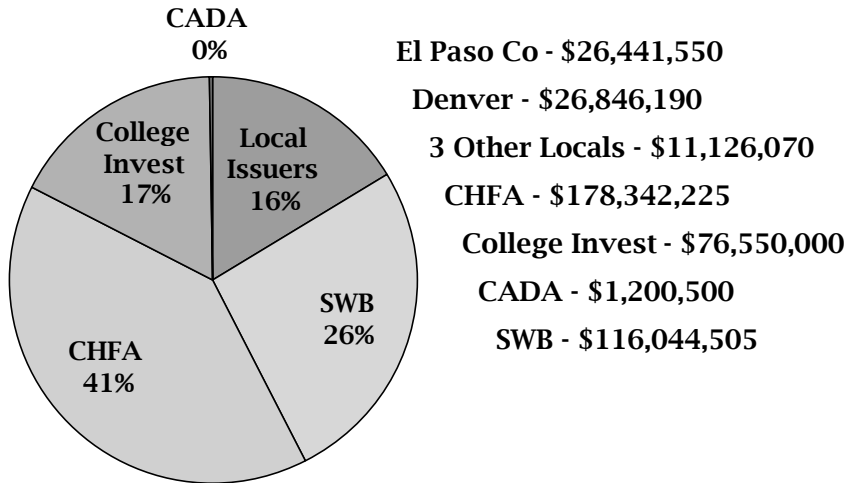
January 2010 PAB Allocation



Local Issuers & Statewide Authorities

- **Receive allocation by January 15th.**
- **Est. priorities & act by September 15th.**
 - **Bond issuance** requires an inducement resolution and closing by December 23rd; OR
 - **Carry-Forward** bond cap for eligible purpose to close within a 3 year period; requires filing with IRS; OR
 - **Assign** to another issuer for eligible purpose; OR
 - **Relinquish** to Statewide Balance.
 - **If you Receive an Assignment** – must issue it or carry it forward, or it will also be relinquished 9/15.

September 15, 2009 PAB Allocation



Statewide Balance Applications

- **DOLA receives allocation by January 15th & relinquished bond cap on Sept. 15th.**
- **Monthly application cycles:**
 - March thru October, \$750 application fee.
 - 7 week process, inc. PAB Allocation Committee.
 - Relinquished bond cap distributed through October round.
- **All must close by December 23rd**
 - 0.25% issuance fee
 - (0.0057% issuance fee on bonds issued from direct allocations to local gov'ts & authorities)

Statewide Balance Applications

- **Demonstrated local need & support:**
 - Certified copy of an inducement resolution from the local government.
 - Local financial commitment of PAB allocation or other local financial subsidies.
 - Market study demonstrating need.
 - Housing Affordability – going beyond IRS requirements.

Statewide Balance Applications

- **Feasibility:**
 - Reasonable costs for development & operation.
 - Readiness to proceed – site controlled, local planning & zoning approved, credit enhancement secured, tax credits reserved.
 - Financially sound – income/expense estimates reasonable, good underwriting ratios, sources & uses balance.
 - Development team experience, capacity.
- **Typical project size is \$3 – \$25 million**

2008-09 SWB Awards

Date	\$	Note
4/28/08	2,500,000	Ross Printing IDB
4/28/08	16,802,381	El Paso County SFMRB
12/26/08	15,000,329	Boulder Co. Clean Energy SFMRB
12/26/08	23,450,000	College Invest Student Loans
12/26/08	10,000,000	HERA /Denver MCC
12/26/08	142,225,095	HERA /CHFA Housing Programs
5/4/09	9,000,000	Crowley Co. & Kingston Energy
5/4/09	7,120,080	Grand Co. MCC
12/28/09	107,044,505	CHFA Housing Programs